DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
ANNUAL REPORT ON GOALS, OBJECTIVES AND POLICIES

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Program ID/Title: AGS-203/Risk Management

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I. Goal

The program will endeavor to protect the State against catastrophic losses and to minimize total cost of risk. The result will ensure losses of the State are controlled and financed on a well-coordinated basis.

II. Objectives and Policies

A. #1 - Identify and analyze the State's loss exposures to determine risks that should be self-insured versus commercially insured and purchase applicable Statewide property, liability, and crime insurance policies at cost effective terms.

B. #2 - Coordinate loss control and cost containment activities to minimize accidental and fortuitous losses.

C. #3 -Settle informal tort claims (up to $10,000), adjust automobile claims and property losses fairly and promptly.

D. #4 - Manage a revolving fund to assure the availability of funds for the purchase of insurance policies, and payment of self-insured and insured losses and other risk management service.

E. #5 - Operate a management information system to identify and analyze loss exposures to determine frequency and severity of losses, to forecast losses, and to determine the most economical method of financing losses.

III. Action Plan with Timetable

A. Past Year Accomplishments

1. Purchase of favorable insurance policies to protect the State's physical assets and protect against its liabilities.

2. Implementation of the cost allocation program was completed FY 2001.

3. Installation of internet and e-mail services for the Risk Management Office completed.

4. Networking of Risk Management's computers has reduced the duplication of work between staff.

5. New claims management information system program was developed by Systems and Procedures Office in FY 2001. It continues to be enhanced.

6. Installation of wireless intrusion alarm systems for public school systems was suspended for FY 2001 while Department of Education reviewed current systems and prepared revised request for proposal for an improved system.

7. Coordination with the Department of the Attorney General has progressed in the identification and reporting of applicable lawsuits or cases to the excess liability insurance carrier(s).

B. Objective/Policy #1 - Identify and analyze the State's loss exposures to determine risks that should be self-insured versus commercially insured and purchase applicable property, liability and crime insurance policies at cost effective terms.

1. Conduct loss exposure survey of all State agencies to be sure that their exposures have been identified and adequately insured. Survey is conducted annually in September.

2. Negotiate with insurance broker for the most cost effective coverage, terms and conditions available to insure the State against catastrophic losses. Negotiations are conducted annually during October/November.

3. Select insurance broker(s) to represent State in the procurement of insurance policies to protect the State against catastrophic losses and providing other brokerage services. Broker(s) is selected for a term of three to five years. The current broker was selected in 1999. The next selection will be in 2002; unless there is an extension of two years, then the selection will be in 2004.

C. Objective/Policy #2 - Coordinate loss control and costs containment activities to minimize accidental and fortuitous losses.

1. Utilize loss control and cost containment service available from the insurance broker. Broker for the State Insurance Program will provide this service for a period of 3 to 5 years, effective December 1, 1999.

2. Introduce cost containment programs related to employee and property losses. Programs can start in 2002 beginning with the identification of cost components, cost drivers, and area for additional study and evaluation.

3. Conduct loss prevention surveys of State facilities such as airports, schools, convention center, hospitals and other public facilities on a two to three year cycle, starting with FY 2002.

4. Implement pooled insurance programs for eligible construction projects to provide broader insurance protection, lower insurance cost and reduce on-the-job accidents, as projects become available.

5. Provide builders risk insurance protection for building construction projects under the State property insurance that provides broader protection and lower premium. Coverage under a master builders risk insurance policy can start immediately.

6. Assess the costs of risk on a fiscal year basis to all agencies to hold them accountable for their losses. The assessment began in FY 2001. Projections on future cost allocations to be done on an annual basis. Projections for FY 2003, FY 2004, and FY 2005 were sent to departments September 2001.

7. Install wireless alarm systems in public schools to prevent property crime. A new request for proposal has been issued by the Department of Education. It is expected that the installations, which were suspended in FY 2001, will continue until all schools have protection.

D. Objective/Policy #3 - Settle informal tort claims (up to $10,000), adjust automobile claims and property losses fairly and promptly.

1. To minimize the cost of processing claims without compromising quality and productivity, all claims are processed by the staff. To maintain high work standards, a manual to provide guidelines and procedures is being developed for handling of claims and losses,

including catastrophic losses. The manual is in final edit process and will be issued FY 2002. The manual will be reviewed annually and updated as needed.

2. Train departmental risk management coordinators in the procedures for handling claims to ensure claims are investigated and processed properly. Workshops will be conducted during future years. Informal training will continue as changes occur or new coordinators are added.

E. Objective/Policy #4 - Manage a revolving fund to assure the availability of funds for the purchase of insurance policies, payment of self-insured and insured losses, and other risk management service.

A cost allocation program was implemented in FY 2001 to hold each agency accountable for its costs of risk. Based on each agency loss exposures and losses incurred, the costs of risk will be assessed and collected on an annual basis and deposited into the revolving fund from which payments of losses will be made.

F. Objective/Policy #5 - Operate a management information system to identify and analyze loss exposures to determine frequency and severity of losses, to forecast losses, and determine the most economical method of financing losses.

The new management information system for claims tracking, loss control and loss finance has been developed by Systems and Procedures Office. This system replaces the existing system, which was over ten years old. Enhancements to the programs continue to allow flexibility and greater capability of managing the information in order to produce reports.

IV. Performance Measures

A. Customer Satisfaction measure - All State agencies receive risk management service. Service includes the purchase of insurance to protect against catastrophic losses at cost effective terms, payment of self-retained losses fairly and promptly, and finding ways to prevent or minimize losses. Because agencies will be charged for their cost of risk, larger demand for services and containment costs is anticipated. Surveys will be conducted to identify and measure customer needs, realistic goals will be developed and implemented. Self-evaluation of how and where our expenditures are being directed will also be made to obtain the most positive impact on controlling expenditures.

B. Program Standard measure - Establish tolerable limit of losses based upon frequency. Develop action plan to reduce losses that have exceeded tolerable limits. Identify and utilize opportunities to expand risk management service without increasing overhead.

C. Cost Effectiveness measure - Establish tolerable limits of losses based upon severity. Develop action plan to reduce losses that have exceeded tolerable limits. Invest in ways to contain loss severities that have greatest impact on total cost or risk.